

Working Paper on

Intrinsic Motivation and Rewards

April 12, 1997

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CHAPTER 1

INTRODUCTION

. . . *intrinsic
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The premise of this report is that *rewards motivate performance*, which in turn improves *organizational effectiveness*. We briefly explain why we believe this premise is valid, then present a broad framework for thinking about the connections between rewards, motivation, and performance. The remaining chapters of this report focus on one idea, which social scientists call “intrinsic motivation,” within the context of that overall framework.

We assume that motivation results from rewards. “Rewards,” in this approach, is an “epistemological construct”¹ to help us to think about motivation. We define rewards very broadly to include all economic and psychological benefits that people either receive from others or give themselves. Further, regardless of what other attributes an individual brings to a job (for example, skills, education, intelligence, etc.), motivation is necessary for performance. Campbell emphasizes this point: “[P]erformance will not occur unless there is a choice to perform at some level of effort for some specified time. Consequently, motivation is *always* a source of performance.”² Furthermore, “[I]ndividuals influence [organizational] effectiveness through performance.”³ Although it is usually difficult to demonstrate causality between individual performance and organizational effectiveness, intrinsic motivation influences behaviors that organizations are interested in. For example, stronger intrinsic motivation has been found to increase creativity and innovation, reduce stress, improve interpersonal relations, improve quality, and decrease turnover and absenteeism.

Intrinsic motivation is motivation that an individual provides for him- or herself; it comes from within rather than from outside the person. Viewed another way, intrinsic motivation derives from internal, or intrinsic, rewards rather than from external, or extrinsic, rewards. We can also think of intrinsic motivation as resulting from “the psychological compensation that individuals receive from their work.”⁴

¹ Loosely defined, epistemology is the study of the nature of our knowledge about what we perceive reality to be and about the limits and validity of that knowledge. Epistemological constructs are ideas we conceive (that is, intellectually construct) for our purposes of explanation, to help us understand things and communicate with each other about them. Note that, because we intellectually invent these concepts, they have no existence or meaning in reality – the interpretations we collectively assign them are neither right nor wrong. That is, constructs like rewards, motivation and performance are figments of our individual and collective imaginations. Hence, outside the contexts we develop the concepts for, our definitions lose part or even all the meanings we gave them – the definitions can’t stand on their own. As a result, it is essential to remember that definitions are neither true nor false but are only more or less helpful in calling attention to certain aspects of the phenomenon under study.

² J. P. Campbell, “Modeling the Performance Prediction Problem in Industrial and Organizational Psychology,” in *Handbook of Industrial and Organizational Psychology*, ed. M. Dunnette and L. Hough, (Palo Alto, CA: Consulting Psychologists Press, 1990), p. 706.

³ *Ibid.*, p. 715.

⁴ Kenneth Thomas and Erik Jansen, “Intrinsic Motivation in the Military, Part I: Models and Strategic Importance,” draft paper for the Eighth Quadrennial Review of Military Compensation, December 1995, p. 2.

To facilitate discussion of these topics, we offer a framework for viewing the connections between rewards, motivation, and performance (Figure 1-1). The framework allows us to distinguish between the following four distinct classes of rewards and the motivation and performance that follow from them:

- Task-related extrinsic rewards, such as a bonus for successfully completing a specific project;
- Task-related intrinsic rewards, such as the enjoyment an individual gets from doing a job he or she likes;
- Nontask-related extrinsic rewards, such as a base pay entitlement that is independent of performance of any particular task; and
- Nontask-related intrinsic rewards, such as the pride an individual feels at belonging to an organization.

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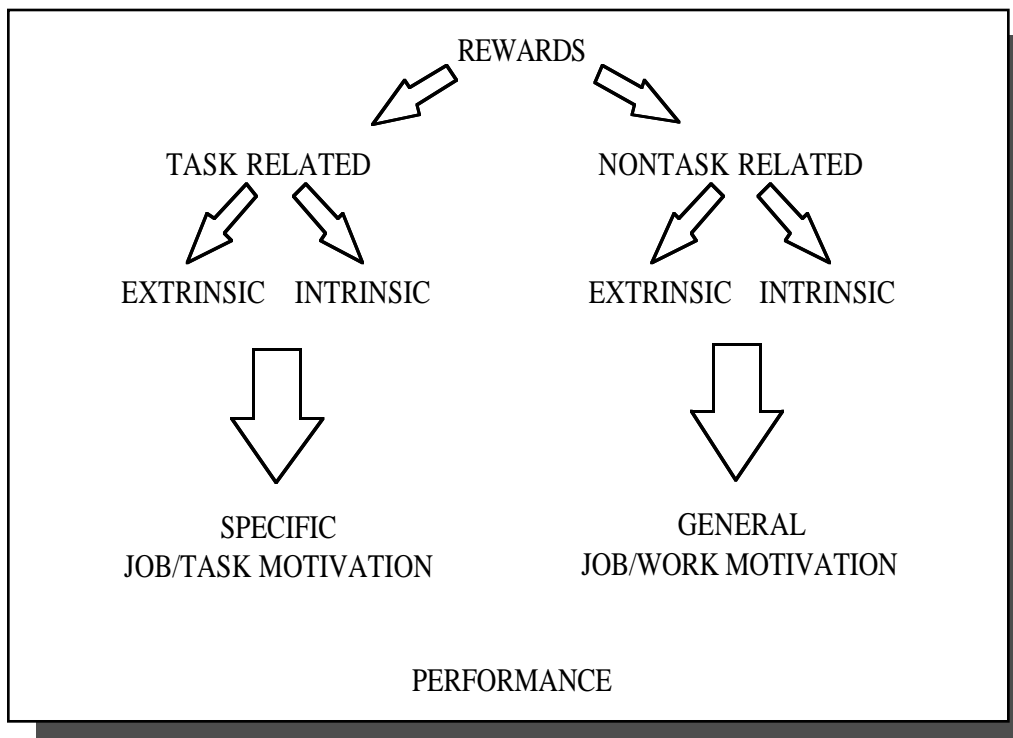


Figure 1-1. Rewards-Motivation Framework

In this framework, task-related rewards motivate performance of the tasks to which the rewards are tied – specific tasks. Nontask-related rewards motivate work performance in general, including both specific task performance and behaviors that are not tied to any particular task, but that contribute to the effectiveness of the organization as a whole. These distinctions are general rather than precise or hard and fast, for it is possible to think of real-world examples that may fall plausibly into more than one category. Figure 1-2 illustrates one possible such arrangement of some rewards available in the military context. The lists are not intended to be complete, exclusive, or invariant.

Job design focuses on the ways in which the work environment and organizational structure interact to inhibit or facilitate intrinsic motivation.

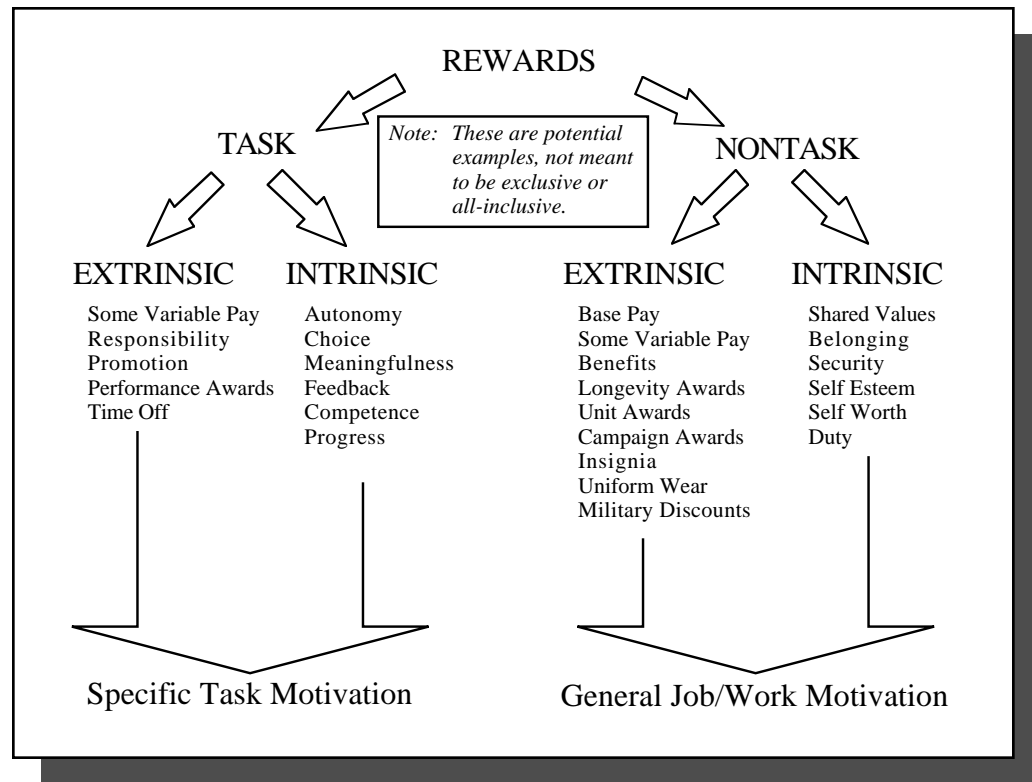


Figure 1-2. Rewards in the Military Context

The framework encourages us to think about military compensation – rewards – in a broad and encompassing enough way to help meet the challenge of aligning compensation, as a component of human resource management, with an organization’s strategy. Thomas and Jansen cast the strategic importance of intrinsic motivation in terms of its role in individual *self-management*. They see the military moving increasingly toward self-management as a requirement of future warfare.⁵

Leadership is the “oil” that lubricates the machinery that translates rewards into productive performance.

In this report we introduce several additional concepts (epistemological constructs) to aid in this task; among them are *job design* and *leadership*. Job design focuses on the ways in which the work environment and organizational structure interact to inhibit or facilitate intrinsic motivation. But it is only through the interactions of people on the job that the motivational potential of these designs can be realized. Hence, leadership (defined broadly to include management behavior and interpersonal relations) permeates the entire framework – it is the “oil” that lubricates the machinery that translates rewards into productive performance. Finally, an economic perspective provides insights into the trade-offs implied by this framework and their implications for both organizations and individuals.

With the framework as an anchor for this report, subsequent chapters address the following topics: intrinsic motivation in general (Chapter 2); job design theory and its implications, focusing on task-related intrinsic rewards (Chapter 3); motivation deriving

⁵ Ibid., p. 3.

from nontask-related intrinsic rewards (Chapter 4); leadership and its significance for intrinsic motivation (Chapter 5); and finally some observations from an economic perspective (Chapter 6). To aid the reader in maintaining his or her orientation while reading this report, Figure 1-3 depicts the framework again, this time with chapter topics inserted roughly where they fall.

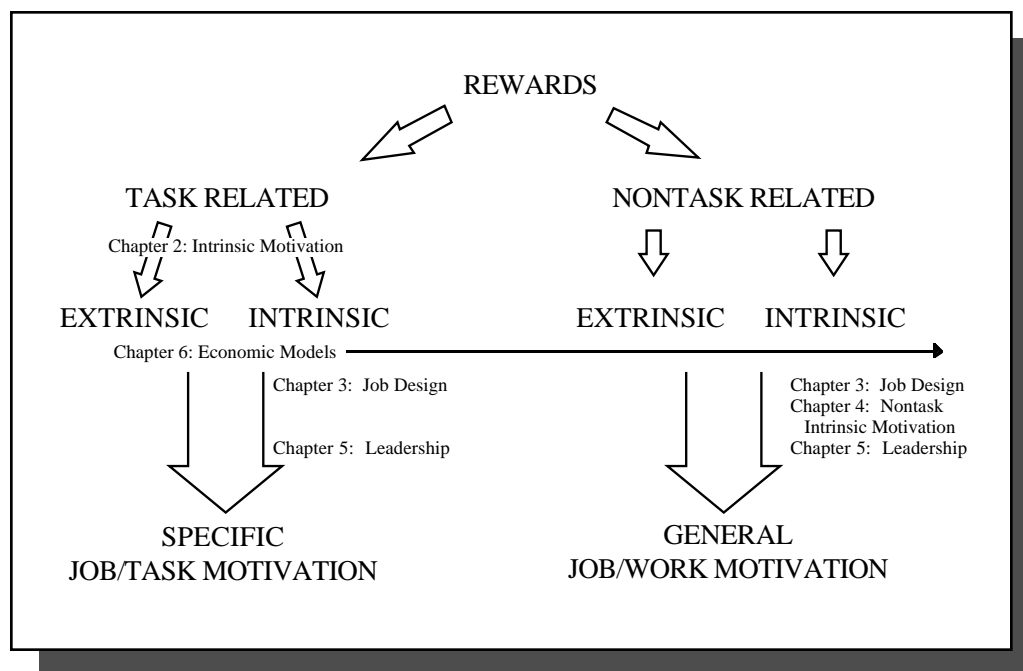


Figure 1-3. Chapter/Topic Placement